

TEACHERS' RETIREMENT BOARD MEETING FEBRUARY 18, 2005

CALL TO ORDER:

Acting Chairman Scott Dubbs called the meeting to order at 8:30 a.m., in the Teachers' Retirement Conference Room, 1500 Sixth Avenue East, Helena, Montana.

BOARD MEMBERS PRESENT:

Acting Chairman, Scott Dubbs
Mona Bilden
Barbara Foster
Kari Peiffer
James Turcotte

BOARD MEMBERS ABSENT:

Tim Ryan

STAFF PRESENT:

David L. Senn, Executive Director
Tammy Rau, Deputy Executive Director
Vivian Hammill, Legal Counsel
Natalie Chamberlain, Executive Secretary
Dan Gaughan, Accounting/Fiscal Manager
Johnelle Sedlock, Benefits Officer
Bill Hallinan, Information System Manager

OTHERS PRESENT:

Charlotte Thomas, Legislative Chair, Montana Retired Educators' Association
Bob Bungni, Interim CIO, Board of Investments
Dan McKenty, Retired Teacher
Howard Lawson, Retired Teacher
Darrel Rud, Executive Director, School Administrators of Montana

CALL TO ORDER

Adopt Agenda - Acting Chairman Scott Dubbs called for additions or changes to the Agenda for February 18, 2005. Seeing none, Chairman Dubbs requested a motion to adopt the Agenda. Mr. James Turcotte moved that the agenda be approved. Seconded by Mrs. Mona Bilden, the motion carried unanimously.

Approval of November 12, 2004 Minutes - Chairman Dubbs called for a motion to approve the November 12, 2004, Board meeting minutes. Mr. James Turcotte moved that the November 12, 2004 minutes be adopted. Seconded by Mrs. Barbara Foster, the motion carried unanimously.

PUBLIC COMMENT

Chairman Dubbs called for public comment on Board related items. Seeing none, Mr. Dubbs introduced Bob Bugni, Interim CIO, Board of Investments.

BOARD OF INVESTMENTS

Mr. Bob Bugni, Interim CIO, of the Board of Investments discussed the structure and staff currently at the Board of Investments. Mr. Bugni informed the TRS Board that as of January 31, 2005, retirement fund assets were at 6.24 Billion or approximately 64 percent of total assets under management by the BOI, with TRS owning approximately 40 percent of that the total retirement assets. Mr. Bugni gave an overall update on the assets managed by the Montana Board of Investment and their future asset allocation plans.

EXECUTIVE DIRECTOR'S REPORT

Mr. Senn report three staff changes: Bill Hallinan replaces David Swenson as the TRS Information Technology Manager. Johnelle Sedlock was promoted form Accountant to Benefit Officer. Johnelle replaces Helen Gonsowski. Kelly Hargreaves has been hired to fill the Accountant position vacated by Johnelle.

Mr. Senn reviewed legislation that directly affected the Montana Teachers' Retirement System. TRS housekeeping legislation (HB 104), TRS Actuarial Funding (HB 181), Minimum Disability Benefit Adjustment (HB 239), 2.0% Professional Retirement Option (HB 338), Optional Retirement Plan (ORP) Funding Swap (HB 430), Distribute Lottery Proceeds to County Retirement Funds (HB 523), Retirement Incentive for TRS Members (HB 414), Retirement Incentive for State Employees (SB 72), and K – 12 SHIP (HB 124). Mr. Senn also informed the Board the 2.0 percent GABA (HB 633), and the Professional Retirement Option (HB 338), if approved by the Legislature, would increase the general fund obligation to the TRS by close to 20 million dollars in the next biennium.

Mr. Senn reported that staff had discussed with Milliman renewing their contract for the next biennium. He anticipated that the contract presented to the Board in May would include an option to complete a full actuarial valuation as of July 1, 2005, and that future Valuation reports would include more detailed information, as recommended by Mellon.

The Internal Revenue Service (IRS) released proposed regulations for phased retirement in late 2004 to allow pension distributions to active employees under a bona fide phased retirement program. Mr. Senn reported that the proposed regulations would not open many opportunities for Montana teachers because of the narrow definition of a bona fide phased retirement program and age limitations.

Mr. Senn reported it was recently discovered the program written to calculate the actuarial cost to purchase additional service was overstating the cost by .02% per year of service purchased. A total of 29 accounts were overstated between \$20.00 and \$703.00. In each case where there was a balance due, the balance has been reduced by the amount overstated; where the member had already purchased the additional service, the overpayment will be refunded.

LEGAL COUNSEL REPORT.

Legal Counsel, Vivian Hammill, reported on the following cases.

Ruey-Lin Lin case: Ms. Hammill reported that oral arguments for summary judgment on the Mr. Lin's case were presented on February 18, 2005. Ms. Hammill reported that two months after the hearing the Hearing Officer ruled the TRS motion for Summary Judgment should be granted. Mr. Lin has not appealed the decision and has requested he be allowed to pay the "option 1" employee contribution on the excess earnings. Ms. Hammill recommended the Board adopt the Hearing Officer's findings, and authorize staff to enter into an agreement with Mr. Lin accepting the additional contributions provided, he agrees to bring no other action against TRS regarding his excess earnings.

MOTION/VOTE Barbara Foster moved that the Board accept the Hearing Officer's findings and to approve the proposed settlement agreement recommended by Counsel. Seconded by Ms. Bilden. The motion carried unanimously

Merle Farrier case The TRS opening brief was filed in early January. There will be an answer brief by Mr. Farrier's attorney due in March. We will then have a reply brief due in April. Ms. Hammill is not sure when we will have a decision once the final brief is completed in April.

Mr. Turcotte asked what kind of financial clock is ticking?

Mr. Senn replied that the last time interest was calculated the total due was about \$50,000.00.

OTHER BUSINESS

Out of State Travel – Mr. Senn submitted out of state travel justification forms for the following employees:

Vivian Hammill: 2005 National Association of Public Pension Plan Attorneys (NAPPA) annual conference. Grand Hyatt Tampa Bay, FL, May 1 –4 2005.

Bill Hallinan: 2005 Public Retirement Information Systems Management (PRISM) annual conference. Grand Hyatt Tampa Bay FL, May 1 –4 2005.

Rex Merrick: Advanced FileNet Imaging Administration Training. Costa Mesa, CA, April 11-15th.

MOTION/VOTE Mrs. Bilden moved that the out-of-state travel requests be approved. Seconded by Mrs. Kari Peiffer, the motion carried unanimously.

Personnel Committee Report: Mr. Senn reported that Mr. Jim Kerins would review the Executive Director's annual performance with the Personnel Committee following the Board meeting.

Financial Statements, Delinquent Agency, Travel, and Budget Reports - Mrs. Tammy Rau, Deputy Executive Director, introduced Dan Gaughan, Accounting/Fiscal Manager to answer questions about financial statements and current budget reports for the 2005 fiscal year.

Mr. Senn asked about the number of letters prepared by the Actuary regarding legislative proposals.

Mr. Gaughan responded that so far there were 17 or 18 letters at \$2,500.00 to \$3,000.00 per letter.

Mr. Senn informed the Board that because of the recent staff turnover and now the legislative session, staff has not had time to work on the communication plan with Milliman that the Board had approved. Postponing implementation of the communication plan until next fiscal year will save about \$15,000.00 this year.

Next Meeting Dates – The 2005 regular meetings of the Teachers' Retirement Board have been approved for May 13th, September 9th, and November 18th.

MOTION/VOTE Mr. Turcotte moved the May 13 meeting be changed to May 20 2005. Seconded by Mrs. Bilden, the motion carried unanimously.

RETIREMENT REPORT

Regular, Survivorship, & Adjustments The Board reviewed the Regular, Survivorship, and Adjustment Report.

DISABILITY APPLICATIONS

Executive Session to Discuss Disability Applications & Annual Reviews:

The Chair directed the meeting closed at 11:00 a.m. to review disability applications since the individual's right to privacy of information pertaining to disability benefits clearly exceeds the merits of public disclosure.

Disability Retirement Applications – The meeting was reopened to the public at 11:30 a.m.

MOTION/VOTE Mrs. Foster moved that the disability application of Ms. Kimberly K. Gaub be approved. Seconded by Mrs. Peiffer, the motion carried unanimously.

Mrs. Bilden moved that the disability application of Mrs. Judith R. Wolfe be approved. Seconded by Mrs. Foster, the motion carried unanimously.

ADJOURNMENT

Minutes
Teachers' Retirement System
February 18, 2005

There being no further business, the meeting was adjourned at 3:15 pm.

Vice Chairperson_____

Executive Director_____